



International Mogul Mines Limited

1975 Annual Report

Directors

Wm. E. Barnett, Toronto, Ontario
Investment Analyst, Conwest
Exploration Company Limited

H. R. Bennett, Toronto, Ontario
Deputy Managing Partner, Richardson
Securities of Canada

L. C. Burns, Toronto, Ontario
Chairman, Burns Fry Limited

M. P. Connell, Toronto, Ontario ✓
President of the Company, and
Conwest Exploration Company Limited

I. F. T. Kennedy, Toronto, Ontario ✓
Vice-President of the Company
and Conwest Exploration Company Limited

J. Kostuik, Toronto, Ontario
President, Denison Mines Limited

T. G. Kristenbrun, Toronto, Ontario
President, Consortina Inc.

J. C. Lamacraft, Toronto, Ontario ✓
Executive Vice-President of the
Company, and Conwest Exploration
Company Limited

E. B. McConkey, Toronto, Ontario ✓
Vice-President Finance
Denison Mines Limited

C. K. O'Connor, Toronto, Ontario ✓
Vice-President of the Company and
Vice-President, Exploration
Conwest Exploration Company
Limited

R. J. Wright, Toronto, Ontario
Barrister and Solicitor
Lang, Michener, Cranston,
Farquharson & Wright

Officers

M. P. Connell, President

J. C. Lamacraft, Executive
Vice-President

I. F. T. Kennedy, Vice-President

C. K. O'Connor, Vice-President

D. A. Humby, Secretary-Treasurer

J. S. Adams, Assistant Secretary-Treasurer

Auditors

Thorne Riddell & Co., Toronto, Ontario

Counsel

Davies, Ward & Beck, Toronto, Ontario

Transfer Agent and Registrar

Guaranty Trust Company of Canada,
Toronto and Calgary

Bankers

The Toronto-Dominion Bank,
Toronto, Ontario

Listings

The Toronto Stock Exchange

Head Office

85 Richmond Street West
10th Floor
Toronto, Ontario
M5H 2G1

Directors' Report to Shareholders

Your Directors submit the Annual Report on the affairs of your Company, including the audited financial statements for the year ended December 31, 1975.

During 1975, the Company continued its policy of the reduction of indebtedness by the liquidation of certain assets. The sale of the assets listed below generated over \$9,600,000 and the proceeds were applied to the reduction of long-term debt and the Company's bank loan.

- (1) Shares of Graphic Sciences Inc.
- (2) Interest in Lipan gas field
- (3) 365 Bay Street, Toronto
- (4) Gatineau Property, Quebec
- (5) Shares of Federal Drilling Supplies Limited
- (6) Shares of Electrical Contacts Limited
- (7) Real Estate Property, British Columbia
- (8) Shares of Caliph Resources Inc.
- (9) Shares of Mogul Petroleum Corporation
- (10) Miscellaneous Oil and Gas Exploration Properties.

The Company also reduced its level of activity in mineral exploration and undertook a major reorganization of its administrative offices in keeping with the reduced asset base.

In October 1975, Conwest Exploration Company Limited, of Toronto, a Canadian-controlled exploration and development company, acquired from Coldstream Mines Limited its 995,585 common shares of your Company representing 38.2% of the issued share capital. Concurrently with the acquisition of these shares, Conwest representatives assumed management of your Company.

At the year end, your Company's bank indebtedness was \$5,200,000. In March 1976, an agreement was concluded with Kerr Addison Mines Limited of Toronto to sell your Company's interest in Mogul of Ireland Limited for approximately \$9,000,000. The proceeds of this sale were used to extinguish the debt and to develop a positive working capital position of approximately \$4,000,000. As this interest was held by the Company for

all of 1975, a report on the operations of Mogul of Ireland for 1975 is included with this report.

Substantially all of the U.S. oil and gas properties were sold in 1975, and the outstanding litigation with respect to the Mathers Ranch royalty interest was concluded in early 1976. Your attention is directed to the Oil and Gas section of this report.

The Company, through its shareholdings in the Pine Vale Group of Companies, participated in 1975 in a variety of endeavours in Australia. A report on the Australian operations is included with this report.

Your Company retains interests in a number of smaller corporate concerns, and every effort is being made to maximize the investment return to Mogul.

In 1975, your Company participated in a modest international programme of mineral exploration. A detailed report on these activities is included with this report. In addition to pursuing existing mineral interests, Mogul will participate with Conwest in the Conwest Canadian Uranium Exploration Joint Venture. This Joint Venture, under the direction of Dr. Frank Evoy, will operate for a period of five years in Canada with an annual budget of \$1,500,000. Conwest and its related companies will contribute 20% of the annual budget of this programme, with the balance of funds being provided by three European uranium-consuming interests and Eldorado Nuclear Ltd., a Canadian Crown corporation. Mogul will contribute 25% of Conwest's commitment to the Joint Venture and is entitled to a 25% share of Conwest's entitlements.

During 1975, Messrs. D. W. Knight, S. A. Perry, R. D. Bell, G. E. Creber, William James, J. C. Lyons, G. D. Pattison and F. Gerald Townsend retired or resigned from the Board of Directors and Messrs. M. P. Connell, J. C. Lamacraft, I. F. T. Kennedy, C. K. O'Connor, W. E. Barnett, T. G. Kristenbrun, C. R. Elliott and R. J. Wright were appointed to the Board.

Subsequent to the year end, Messrs. P. S. Cross and C. R. Elliott have resigned as Directors of the Company. Mr. Cross occupied various positions with the Company, most recently as President. Mr. Cross has served the Company with

distinction, and your Directors wish to express their sincere appreciation for his efforts. In May 1976, the Board was advised, to its great regret, of the death of Mr. E. T. Donaldson. His advice and counsel will be greatly missed.

In March 1976, Mr. M. P. Connell was appointed President; Mr. J. C. Lamacraft, Executive Vice-President; Messrs. I. F. T. Kennedy and C. K. O'Connor, Vice-Presidents of the Company.

On behalf of the Board,

MARTIN P. CONNELL,
President

Toronto, Ontario
June 4, 1976

Mogul of Ireland

During 1975, operations at your Company's then 75% owned subsidiary, Mogul of Ireland Limited provided results close to that forecasted. Operating profit amounted to \$7,611,840. After deduction of interest, royalties, exchange adjustments, tax provisions, depreciation and amortization, the net profit realized was \$2,460,552.

Exploration

During the year, 44 surface diamond drill holes were completed comprising 32,259 feet. Two machines were utilized throughout the year, with 39 holes completed on the down-dip extension of the "B" zone, two on the "S" zone, one on the "C" zone, and two holes for assessment purposes on prospecting licences 75 and 79.

Drilling on the down-dip extension of the "B" zone added minor additional ore reserves down-dip from present workings and over relatively narrow widths. Drilling

results on the "S" and "C" zones were insignificant.

Mine Development

Mine development during the year was concentrated mainly in the trackless areas of the down-dip extensions of the "B" and "G" zones. Additionally, a small new ore area was developed in the upper "G" zone above the first level close to the Magcoabar boundary containing about 125,000 tons of 6.50% combined lead and zinc. Development to the north of the shaft in the "G" zone from the third level encountered heavy flows of water. Surface drilling in prior years had indicated this condition. Steps were initiated to increase pumping facilities in order to facilitate development of the area in the future.

During the year, 1,153,911 tons of ore were developed for stoping. Total underground development advance exceeded budget forecast by approximately 20%.

Exploration and Development Footage Summary

	1975	1974	1973
Surface diamond drilling	32,259	35,903	32,547
Underground diamond drilling	24,541	20,171	19,026
	56,800	56,074	51,573
Major development	10,743	7,795	10,268
Stop development	7,831	7,341	8,549
	18,574	15,136	18,817

Ore Reserves

Ore reserves were re-calculated as of December 31, 1975. As a result of increasing costs and additional experience in mining of the thinner and undulating down-dip fringe areas of the "B" and "G" zones, changes were

required in the cut-off grade as well as the dilution factor.

As a consequence of the above, total in place and broken ore reserves with dilution in all classifications at the end of the year are as follows:

	Short Tons	% Lead	% Zinc
Upper "G" zone	3,772,983	1.79	7.74
Lower "G" zone	372,037	3.36	4.48
Total "G" zone	4,145,020	1.93	7.45
"B" zone	3,451,439	3.12	5.26
Total "B" & "G" zones	7,596,459	2.47	6.46
Broken ore	38,640	2.62	7.50
Grand total	7,635,099	2.47	6.46

Additionally, and not included in the above, drill indicated reserves in place in the "K" and "C" zones, after applying appropriate cut-off and dilution factors were calculated as follows:

Zone	Short Tons	% Lead	% Zinc
"K"	771,352	1.47	4.79
"C"	263,062	1.39	6.67
	1,034,414	1.45	5.27

Mining

The total ore broken during the year from all sources amounted to 987,984 tons, with 32% from the "B" zone, 46% from the upper "G" zone, and 22% from the lower "G" zone. Tons of ore hoisted was 1,005,036.

Longhole drilling for production totalled 239,249 feet, reflecting greater utilization of trackless mining methods. A total of 237,420 tons of backfill was placed underground. Recoverable broken ore reserve at year end stood at 24,012 tons while the drilled-off reserve and not blasted stood at 180,639 tons.

Milling

Tonnage milled for the year was 1,012,686 grading 2.67% lead and 6.01% zinc. Concentrate production amounted to 30,984 short tons of lead concentrate and 97,730 short tons of zinc concentrate. Recoveries and concentrate grade improved for both metals over that of the previous year.

Operating Costs

Total operating cost per ton milled, including surface exploration and marketing, increased 16% over last year. Cost of supplies and services increased slightly during the year. The cost of power increased 50% over last year.

General

The average prices received during the year for lead and zinc were £185.63 and £366.26 per metric ton respectively, the equivalent of 19.0 and 37.5 cents per pound of metal compared to £251.96 (26.17 cents) and £330.13 (34.50 cents) for 1974.

Labour relations throughout the period were normal.

Dividends totalling \$5,068,000 were declared during the year, of which 25% was distributed to Silvermines Limited, an Irish company.

Oil and Gas Production, Development and Exploration

As described in some detail in the 1974 Annual Report, International Mogul acquired all of the oil and gas interests of Mindamar Energy Resources Limited in return for assuming all of the debt and expenditure obligations of the latter.

During 1975, production continued to decline in several operating fields in which royalty and working interests were held by Caliph Resources Inc., Mogul Petroleum Corporation and International Mogul directly. In view of the escalating expenditures required to maintain production, the Company decided to liquidate all of its oil and gas interests in the United States.

To accomplish this, three significant transactions were concluded in the latter part of 1975 and early 1976 whereby:

(a) The royalty and working interests held by International Mogul Mines Limited,

Mogul Petroleum and Caliph Resources in the Lipan Field were relinquished to the original vendors, along with a cash payment of \$1,050,000 in full satisfaction of the remaining amount of \$2,050,000 payable to the vendors, settlement being effected November 12, 1975.

(b) All of the issued shares of Mogul Petroleum and Caliph Resources were sold to Cinco Production Company for \$110,000 on January 30, 1976.

(c) By agreement dated February 20, 1976, International Mogul Mines Limited settled out of court an action commenced by it to recover from the vendors all or part of the payments made for royalty interests in the Mathers Ranch Field. The terms of this settlement included the payment to Mogul of \$500,000 and the relinquishing to the vendors of 5/11 of the approximately 2% royalty.

The only remaining interest held by International Mogul Mines Limited in its former U.S. oil and gas interests as a result of the above transactions is a royalty interest of slightly more than 1% in the Mathers Ranch Field, which is currently returning approximately \$1,200 per month to Mogul.

Pursuant to the 1974 settlement with Mindamar, Mogul acquired through Caliph Resources a 5% working interest in a 3,500 square mile concession off the coast of Qatar in the Arabian Gulf. This interest brought with it substantial drilling commitments. On November 1, 1975, Caliph Resources assigned to Gulfstream Resources Management S.A. of Panama all right, title and interest and the obligations attaching to this 5% interest for consideration which included a promissory note in the amount of approximately \$208,000 U.S. Caliph assigned the note to Mogul in satisfaction of Caliph's outstanding debts to Mogul. The note is due June 30, 1976.

Australian Operations

Your Company owns 62.1% of the issued shares of Pine Vale Mines Limited. In turn, Pine Vale owns 55.1% of the issued shares of Beaver Exploration Australia N.L. and 63.1% of the issued shares of Otter Exploration N.L. These companies, which are all listed on the Australian Associated Stock Exchanges, are referred to as the Pine Vale Group.

The main activities of the companies are the operation of a chain of caravan parks (Pine Vale) and mineral and oil and gas exploration (Otter and Beaver).

At December 31, 1975, the Pine Vale Group had working capital, including marketable securities, at market value of \$2,700,000.

Sold \$2.4-million

Since November, Mogul has been rationalizing the operations of the Pine Vale Group and re-evaluating the involvement of Mogul in Australia. The Company has been approached by several parties interested in acquiring the controlling interest in the Group and negotiations are currently in progress. Current quoted market value of Mogul's interest in the Pine Vale Group is in excess of \$1,900,000.

Exploration

The exploration activities of International Mogul during 1975 in Canada, United States of America, Philippines, Spain, Portugal and Italy are briefly reviewed as follows:

Canada

In Canada, exploration activities in the search for economic mineral deposits were confined to the Provinces of Quebec and Newfoundland.

(1) In Quebec, through a joint venture with Bethlehem Copper Corporation Limited, one drill hole was completed in Royal Roussillon Township to investigate

a geophysical target. Sulphides of no commercial interest were obtained. Consequently, all interest in the Normetal-Macamic project was abandoned during the year.

(2) In Newfoundland, where two sizable concessions in the Central Mobile Belt of the Province are under option from Newfoundland and Labrador Corporation Limited and Reid Newfoundland Company Limited, the following was accomplished:

On the Lewisporte-Birchy Bay concession, efforts were directed towards

solicitation of a third party to further explore the concession.

On the Gander-Ragged Harbour concession, a joint venture project with Bethlehem Copper Corporation, twelve drill holes were completed to test an interesting base metal occurrence and geophysical targets. All mineralization intersected in the drilling proved to be uneconomic.

Additional drilling is planned for 1976.

(3) In Ontario, property options and property wholly owned claims

constituting the Mann Township project were abandoned.

(4) Interests in several syndicated joint ventures in the Northwest Territories and Yukon Territory were also abandoned.

(5) On the property of Duncan Range Iron Mines Limited, an associated company effectively controlled by International Mogul, no physical work was performed on the mineral exploration licence held by that company. The licence was kept in good standing, by virtue of accumulated expenditures.

(6) The Lake Ainslie barite-fluorite property on Cape Breton Island, Nova Scotia, which contains a substantial tonnage of barite-fluorite mineralization, was reduced and resultant holdings converted into development licences. Discussions continued with prospective partners to further develop this project.

(7) International Mogul owns the former producing Lorado and Dyno uranium properties. It is planned to reevaluate these properties in light of the present buoyant uranium markets.

(8) International Mogul owns the Harvey Hill copper deposit in Leeds Township, County of Megantic, Quebec. The property is under option to Metaline Enterprises Inc. During the year, Metaline

milled approximately 73,900 tons of ore grading 1.37% copper, and Mogul is entitled to royalties of approximately \$56,000.

United States

(1) Through the Cordex I syndicate, Mogul participated in the development of the Pinson Gold Deposit in Nevada. Mogul has a 20% interest along with Rayrock, Lakanex, Sisco Metals and Cordilleran Explorations.

Final feasibility, concluded during the latter part of 1975 indicates that the project is not attractive at a gold price less than \$150.00 per ounce, and further work on the project is being held in abeyance.

(2) In Central Tennessee, through a participation agreement with Bear Creek Mining (Kennecott Copper) a drilling programme was undertaken to explore for zinc mineralization.

Four holes were completed totalling 7,237 feet of drilling. No economic mineralization was encountered and the joint venture was terminated and the project was abandoned.

(3) International Mogul and a subsidiary company control extensive nickel laterite deposits in the State of Oregon. These holdings were under option to

InterAmerican Nickel, and a modest exploratory programme was in effect.

Philippines

International Mogul participated in Enterprise Exploration Corporation, a joint venture with Brascan Resources and Otter Exploration, formed to carry out mineral exploration in the Philippines.

An active programme was initiated in 1974 and in excess of 128 prospects were evaluated. Following desultory results, the participating partners mutually agreed in January 1976 to terminate funding and arrangements were concluded to dispose of each party's respective interest.

Spain, Portugal and Italy

Exploration in Spain and Portugal continued on a restricted basis, confined mainly to property examinations. The main activities were concentrated in Italy, in the northern and central Apennine regions with particular attention to the copper potential of the ophiolite suite of rocks.

Agreement in principle has been reached with a major Canadian mining company to option the Italian properties. If the option is exercised, Mogul would retain a non-assessable interest.

Investment in Coldstream Mines Limited

The Company owns approximately 18% of the issued and outstanding shares of Coldstream Mines Limited.

During the year Coldstream Mines Limited sold its 38.2% interest in the issued common shares of International Mogul to Conwest Exploration Company Limited.

The principal asset of Coldstream Mines Limited at the date of this report is a 100% interest in Interscan Limited, the holding company which owns 66.2% of the shares of GCL Graphic Communications Limited which in turn owns 100% interest in the Interscan Group of companies which operate in the United Kingdom and Europe. The business of GCL is carried on through two divisions. One division distributes a range of computer input systems in the United Kingdom, Ireland,

West Germany, and in some eastern European countries. The other division leases facsimile transmission devices in Canada and in the United Kingdom marketed under the name "DEX", which are manufactured by Graphic Sciences Inc., a subsidiary of Burroughs Corp. GCL had a consolidated net loss for 1975 of approximately \$1,200,000 (1974 — \$361,000). The loss of approximately \$1,679,000 (1974 — \$1,041,000) in the DEX operations was partially offset by the profit of approximately \$438,000 (1974 — \$737,000) in the computer input operations.

Coldstream also owns directly 67.5% of the issued shares of City Associated Enterprises Limited of the Bahamas. City Associated operated profitably in 1975.

Coldstream Mines Limited had a consolidated net loss after extraordinary

items of \$5,938,000 for 1975 and \$6,577,000 for 1974. The loss in 1975 reflects a loss of \$4,116,000 on the disposal of Coldstream's interest in International Mogul and the loss in 1974 reflects Coldstream's \$3,105,000 equity in the losses of International Mogul for the year ended December 31, 1974.

As at the date of this report, Coldstream Mines Limited and its subsidiaries owe to Mogul approximately \$4.6 million in debentures including accrued interest. These debentures are secured by a floating charge on all of the assets of Coldstream subject to prior security in favour of The Toronto-Dominion Bank. The debentures bear interest at Mogul's bank rate plus two percentage points and are repayable on 30 days demand. Interest on the debentures is paid to January 31, 1976. International Mogul

has agreed subject to certain conditions to a deferral of interest payments on the debentures until October 31, 1976.

Pursuant to the agreement of purchase and sale between Coldstream and Conwest, Conwest will, subject to certain

conditions, retire the balance of the debentures in the amount of \$1,793,000 if, as and when Coldstream retires \$2,650,000 of the debentures.

Coldstream and its subsidiaries forecast a substantial positive cash flow for the

balance of 1976. Based in part upon these forecasts no provision has been made for a loss on these debentures in the 1975 financial statements.

Management will continue to monitor closely the business of Coldstream.

Other Major Investments

Bluemount Resources Limited

The Company holds as an investment 300,000 shares representing 15.4% of the issued share capital of Bluemount Resources Limited. Bluemount is a Calgary based junior oil and gas exploration and development Company. Several developments arising out of earlier exploration successes are scheduled for production this year, and Bluemount has arranged the necessary bank financing for these projects.

North Canadian Oils Limited

The Company holds 556,000 common shares representing approximately 10% of the issued and outstanding common shares of North Canadian Oils Limited, a public Company listed on the Toronto and American stock exchanges. This investment was acquired in 1973. North Canadian Oils Limited is a medium sized Canadian oil and gas production and exploration Company. Current quoted market value of Mogul's interest in North Canadian Oils Limited is in excess of \$4,200,000.

New Quebec Raglan Mines Limited

Your Company holds 567,420 shares of Raglan, representing 7.1% of the outstanding shares. Falconbridge Mines Limited beneficially owns approximately 68.3% of Raglan's outstanding share capital. No work was carried out in 1975 on Raglan's property which comprises over 300 square miles in the nickel/copper belt of Cape Smith-Wakeham Bay area of the Ungava Region of Quebec. Current quoted market value of Mogul's interest in Raglan is in excess of \$1,200,000.

International Mogul Mines Limited
 (Incorporated under the laws of Ontario)
 and subsidiary companies

Consolidated Balance Sheet

December 31, 1975

Assets	1975	1974
CURRENT ASSETS		
Cash and short term deposits	\$ 4,444,000	\$ 2,676,000
Accounts receivable	1,361,000	2,348,000
Concentrates on hand and in process of settlement, at net realizable value	2,337,000	1,856,000
Marketable securities	890,000	4,229,000
Inventories, at least of cost, replacement cost and net realizable value	1,377,000	1,766,000
Prepaid expenses and deposits	305,000	331,000
	10,714,000	13,206,000
INTEREST IN COLDSTREAM MINES LIMITED (note 3)	4,742,000	4,113,000
INVESTMENTS (note 4)	5,424,000	5,736,000
FIXED ASSETS (note 5)	10,240,000	17,274,000
INTERESTS IN GAS PRODUCTION (note 6)		2,152,000
PROPERTY INTERESTS AND DEFERRED EXPLORATION		
Mining	5,703,000	5,309,000
Oil and gas		862,000
	5,703,000	6,171,000
DEFERRED PREPRODUCTION EXPENDITURES and other charges, amortized value	4,077,000	4,908,000
	\$40,900,000	\$53,560,000

Liabilities	1975	1974
CURRENT LIABILITIES		
Bank loans (note 7)	\$ 5,200,000	\$ 9,421,000
Dividends payable	88,000	88,000
Accounts payable and accrued liabilities	1,934,000	2,961,000
Royalties payable	88,000	44,000
Income taxes payable	4,712,000	458,000
Current portion of long term debt	640,000	1,927,000
	12,662,000	14,899,000
INCOME TAXES PAYABLE, non-current		2,308,000
LONG TERM DEBT		5,380,000
DEFERRED INCOME TAXES	2,338,000	2,684,000
INTERESTS OF MINORITY SHAREHOLDERS (note 8)	4,316,000	5,035,000
Shareholders' Equity		
CAPITAL STOCK (notes 9 and 10)	16,898,000	16,898,000
CONTRIBUTED SURPLUS	2,078,000	2,078,000
RETAINED EARNINGS (note 12)	3,430,000	5,096,000
	22,406,000	24,072,000
COST OF COMMON SHARES ACQUIRED (note 9)	822,000	818,000
	21,584,000	23,254,000
	\$40,900,000	\$53,560,000

Subsequent events (note 13)

Approved by the Board

"M. P. CONNELL", Director

"J. C. LAMACRAFT", Director

Consolidated Statement of Income

Year ended December 31, 1975

	1975	1974
REVENUE		
Production of concentrates	\$22,699,000	\$21,581,000
Sale of manufactured goods and services	2,945,000	2,947,000
	25,644,000	24,528,000
EXPENSES		
Cost of concentrate production	14,697,000	11,843,000
Cost of manufactured goods sold and services	1,814,000	2,010,000
Depreciation, depletion and amortization	2,334,000	2,002,000
Royalty expense	131,000	47,000
Administrative and general expense	1,789,000	1,743,000
Interest on long term debt	535,000	748,000
Exploration and property maintenance	375,000	1,275,000
Exploration expenditures and related costs on properties abandoned	1,063,000	1,694,000
	22,738,000	21,362,000
	2,906,000	3,166,000
OTHER ITEMS (net)		
Interest expense	230,000	396,000
Loss (gain) on currency revaluations and transactions	(162,000)	817,000
Loss on investments, marketable securities and fixed assets	155,000	8,935,000
	223,000	10,148,000
INCOME (LOSS) BEFORE UNDERTONED ITEMS	2,683,000	(6,982,000)
INCOME TAXES	2,805,000	3,542,000
Loss before interests of minority shareholders and extraordinary items	122,000	10,524,000
INTERESTS OF MINORITY SHAREHOLDERS IN NET INCOME (LOSSES) OF SUBSIDIARIES	642,000	(1,456,000)
LOSS BEFORE EXTRAORDINARY ITEMS	764,000	9,068,000
Extraordinary items (note 11)	552,000	8,022,000
LOSS FOR THE YEAR	\$ 1,316,000	\$17,090,000
PER COMMON SHARE (after preference share dividends)		
Loss before extraordinary items	\$0.45	\$3.67
Loss for the year	\$0.67	\$6.79

Auditors' Report

To the Shareholders of
INTERNATIONAL MOGUL MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited and subsidiary companies as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 7, 1976

Thorpe Riddell & Co.

Chartered Accountants

Consolidated Statement of Retained Earnings

Year ended December 31, 1975

	1975	1974
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 5,096,000	\$22,860,000
Loss for the year	1,316,000	17,090,000
	3,780,000	5,770,000
Dividends		
Common shares	323,000	
Preference shares	350,000	351,000
	350,000	674,000
RETAINED EARNINGS AT END OF YEAR (note 12)	\$ 3,430,000	\$ 5,096,000

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1975

	1975	1974
WORKING CAPITAL DERIVED FROM		
Operations		
Loss before interests of minority shareholders and extraordinary items	\$ 122,000	\$10,524,000
Deduct charges against income not involving working capital		
Depreciation, depletion and amortization	2,334,000	2,002,000
Deferred income taxes (reduction)	(346,000)	3,302,000
Other (including write-down of investments)	2,155,000	6,892,000
	4,143,000	12,196,000
Increase in long term debt	4,021,000	1,672,000
Fixed asset disposals	6,178,000	3,267,000
Disposal of interests in gas production	1,851,000	667,000
Disposal of property interests	888,000	
Issue of capital stock of a subsidiary to minority shareholders		98,000
Interest in Coldstream Mines Limited		609,000
	12,938,000	6,313,000
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	748,000	5,348,000
Interests in gas production	280,000	3,523,000
Investments in shares and advances	345,000	3,480,000
Interest in Coldstream Mines Limited	773,000	
Dividends of Mogul of Ireland Limited paid to a minority shareholder	1,267,000	2,597,000
Property interests and deferred exploration	1,738,000	1,494,000
Additional acquisitions in the Pine Vale Group		1,233,000
Purchase of common shares for treasury	4,000	818,000
Dividends	350,000	674,000
Deferred preproduction expenditures		198,000
Reduction of long term debt	5,380,000	150,000
Cost of preference shares purchased for cancellation		17,000
Reduction in non-current income taxes	2,308,000	
	13,193,000	19,532,000
Decrease in working capital position	255,000	13,219,000
Working capital (deficiency) at beginning of year	(1,693,000)	11,526,000
WORKING CAPITAL DEFICIENCY AT END OF YEAR	\$ 1,948,000	\$ 1,693,000

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International Mogul Mines Limited

Jee

Interim Report
Six Months Ended
June 30, 1975



Printed in Canada

International Mogul Mines Limited

34 Adelaide Street West
Toronto, Ontario M5H 1L8

TO THE SHAREHOLDERS:

Consolidated net income for the second quarter of 1975 amounted to \$196,000 or \$0.08 per common share and for the six months period ended June 30, 1975 net income was \$570,000 or \$0.23 per common share. Comparable figures for 1974, which have been restated to reflect additional income taxes of Mogul of Ireland Limited, were \$0.13 per share for the second quarter and \$0.45 per share for the six months ended June 30, 1974.

Operations at your Company's 75% owned subsidiary, Mogul of Ireland, were routine during the second quarter and the profits earned were equivalent to first quarter earnings. The tons of ore milled and grade of this ore was in excess of budget however the positive effects of this increased production were offset by reduced lead prices and accelerating operating costs. The change in accounting policy from calculating depreciation, depletion and amortization on in place ore reserves to extractable ore reserves was mainly responsible for the increased write-offs in this area. Exploration drilling is continuing in the mine area and a limited amount of new ore reserves have been outlined.

The deterioration in the pound sterling and German deutsche mark against the U.S. dollar in July and August will adversely effect profits in the third quarter if the rates of exchange for these currencies remain at present levels. Recently the prices of lead and zinc have strengthened on the London Metal Exchange, in part reflecting the devaluation of sterling, and it is expected that metal prices will remain at least at their present levels for the balance of the year. There is a strong possibility that the European producer price for zinc, which is currently £360 per metric ton, will be increased in the near future. Recently revised zinc smelting contract terms will reduce treatment costs commencing July 1, 1975.

During July your Company acquired the oil and gas property interests of Mindamar Energy Resources Limited and its U.S. subsidiary, Caliph Resources, Inc., upon assumption of their liabilities, including a bank loan of \$2,500,000 U.S. The re-work and completion programme on the wells situated in the Lipan gas Field, Hood County, Texas is now underway, however, it is too early to determine the ultimate success of this programme. This work is scheduled to be completed in late 1975 and Management is hopeful production will improve substantially.

Overall exploration activities were curtailed in the second quarter and this trend will continue for the balance of the year. Mineral exploration being carried out by the Pine Vale Group of Companies is being financed for the most part from interest earned by that Group of Companies. Exploration is continuing in Ireland on a joint venture basis with Bethlehem Copper Corporation and in Italy and Spain through a subsidiary, Intermogul Mining Limited.

Increased interest charges reflect the higher debt now serviced by the Company and its subsidiaries in the first six months of the year. These charges will be reduced through the liquidation of assets already made and contemplated disposals in the near future. The Company's bank loan which was in excess of \$9,000,000 at year-end currently stands at slightly less than \$6,000,000.

The net gain on currency fluctuations mainly attributable to our Australian operations was decreased by the conversion of the U.S. dollar bank loan which the Company assumed from Mindamar Energy Resources Limited, to Canadian dollars. The profit on investments, marketable securities and fixed assets resulted from the write-up of certain marketable securities and net realized gains on these assets.

Yours respectfully,

P. S. CROSS,
President.

August 15th, 1975.

International Mogul Mines Limited

Consolidated Statement of Income

Six months ended June 30, 1975
 (with comparative figures for 1974)
 (unaudited)

	1975	1974
	(Restated)	
REVENUE		
From production of concentrates	\$12,246,000	\$10,945,000
Sale of manufactured goods and services	<u>1,862,000</u>	<u>1,504,000</u>
	<u>14,108,000</u>	<u>12,449,000</u>
EXPENSES		
Cost of concentrate production	7,720,000	5,365,000
Cost of manufactured goods and services	<u>1,204,000</u>	<u>1,127,000</u>
Depreciation, depletion and amortization	1,174,000	968,000
Administrative and general expense	789,000	701,000
Interest on long-term debt	330,000	160,000
Exploration and property maintenance	186,000	63,000
Exploration expenditures and related costs on properties abandoned	<u>115,000</u>	<u>—</u>
	<u>11,518,000</u>	<u>8,384,000</u>
Income before undernoted items	<u>2,590,000</u>	<u>4,065,000</u>
OTHER ITEMS (NET)		
Interest expense	(231,000)	(78,000)
Gain (loss) on currency revaluations and translations	328,000	(312,000)
Gain (loss) on investments, marketable securities and fixed assets	<u>245,000</u>	<u>(267,000)</u>
	<u>342,000</u>	<u>(657,000)</u>
Income taxes	<u>2,932,000</u>	<u>3,408,000</u>
	<u>1,596,000</u>	<u>1,653,000</u>
Income before interests of minority shareholders	<u>1,336,000</u>	<u>1,755,000</u>
Interests of minority shareholders in net income of subsidiaries	<u>591,000</u>	<u>408,000</u>
NET INCOME FOR THE PERIOD	<u>745,000</u>	<u>1,347,000</u>
Less: Provision for dividends on preference shares	<u>175,000</u>	<u>176,000</u>
NET INCOME APPLICABLE TO COMMON SHARES	<u>\$ 570,000</u>	<u>\$ 1,171,000</u>
EARNINGS PER COMMON SHARE	<u>\$0.23</u>	<u>\$0.45</u>

Note: The 1974 figures have been restated to include additional income taxes of Mogul of Ireland Limited of \$572,000.

International Mogul Mines Limited

Consolidated Statement of Changes in Financial Position

Six months ended June 30, 1975
 (with comparative figures for 1974)
 (unaudited)

	1975	1974
	(Restated)	
SOURCES OF WORKING CAPITAL		
From operations		
Income before interests of minority shareholders	\$ 1,336,000	\$ 1,755,000
Charges against income not involving the use of working capital		
Income taxes not currently payable	1,596,000	1,615,000
Depreciation, depletion and amortization	<u>1,174,000</u>	<u>968,000</u>
Sale of fixed assets	<u>4,106,000</u>	<u>4,338,000</u>
Disposal of interests in gas production and property interests	<u>612,000</u>	<u>—</u>
	<u>391,000</u>	<u>—</u>
Increase in long-term debt	<u>—</u>	<u>3,283,000</u>
Issue of capital stock of subsidiaries' minority shareholders	<u>—</u>	<u>66,000</u>
	<u>5,109,000</u>	<u>7,687,000</u>
APPLICATION OF WORKING CAPITAL		
Current portion of income taxes previously deferred	2,308,000	—
Reduction of long-term debt	1,390,000	52,000
Investments in shares and advances	751,000	2,025,000
Dividends of Mogul of Ireland Limited paid to a minority shareholder	926,000	811,000
Additions to fixed assets	595,000	4,506,000
Property interests and deferred exploration	465,000	1,411,000
Dividends on preference and common shares	175,000	502,000
Interests in gas production	105,000	1,927,000
Additional acquisitions in the Pine Vale Group	<u>—</u>	<u>384,000</u>
Other	<u>23,000</u>	<u>40,000</u>
	<u>6,738,000</u>	<u>11,658,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL		
	<u>(1,629,000)</u>	<u>(3,971,000)</u>
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD		
	<u>(1,693,000)</u>	<u>11,891,000</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD		
	<u>(\$3,322,000)</u>	<u>\$ 7,920,000</u>

International Mogul Mines Limited
Supplementary Financial Information
June 30, 1975

We present the following brief comments concerning the accompanying Consolidated Statement of Income:

1. The 1974 figures do not include the results of Caliph Resources Inc., a wholly owned subsidiary, which was acquired effective November 30, 1974.
2. The following is an analysis of the operating results for the various Company operations:

	Mogul of Ireland Limited	Australian Operations and Pine Vale Group	Oil and gas Operations United States	Other operations and unallocated corporate costs
Revenue	\$ 12,246,000	\$ 1,219,000	\$ 79,000	\$ 1,026,000
Expenses	10,506,000	737,000	212,000	1,779,000
Interests of minority shareholders	435,000	95,000	—	61,000
Net income for period	<u>\$ 1,305,000</u>	<u>\$ 387,000</u>	<u>\$ (133,000)</u>	<u>\$ (814,000)</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1975

1. Summary of Significant Accounting Policies

(a) Translation of Foreign Currencies

Current assets and current liabilities have been translated at the prevailing rates of exchange at the balance sheet date. Fixed and other assets and related depreciation, depletion and amortization have been translated at the average rates of exchange for the years in which they were acquired. Income and expense items, excluding depreciation, depletion and amortization, have been translated at the average rates of exchange for the year.

Gains or losses on currency revaluations and translations are reflected in the Consolidated Statement of Income in the year in which they arise.

(b) Marketable Securities

Marketable securities are carried at total quoted market value which is lower than total cost.

(c) Investments

Investments in shares are valued at cost or less depending upon the underlying value of the investment, its quoted market value and Company investment policies. Because of the number of shares held in certain companies, the quoted market values are not necessarily indicative of the value of the investments, which may be more or less than indicated by market quotations.

(d) Fixed Assets

Land, buildings, plant and equipment, mineral leases and rights are carried at cost or less.

Gains or losses on the sale of fixed assets are reflected in operations unless of an extraordinary nature.

(e) Depreciation, Depletion and Amortization

Mogul of Ireland Limited provides for depreciation of fixed assets, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine or which are expected to have substantial residual value.

Depreciation is provided on the North American and Australian fixed assets on a straight line basis at the following annual rates:

Buildings	2.5% to 5%
Plant and equipment	5% to 33.3%

(f) Property Interests and Deferred Exploration

The Company holds various non-producing interests in mining in various areas of the world. These interests are carried at acquisition cost together with the cost of direct exploration and development work thereon. It is the Company's practice to defer the costs of these interests and carry them as an asset to be amortized against future production. If the Company determines that it has no further interest in the property, project or lease, the related costs are written off to income.

(g) Loss per Common Share

Loss per common share is calculated using the weighted average number of common shares outstanding during the year net of common shares purchased and held by the Company. Dividend requirements of first preference shares are deducted for purposes of these calculations.

2. Basis of Consolidation

The consolidated statements include the accounts of the Company's subsidiaries, the principal ones being:

	% Owned	Accounts Expressed in
Mogul of Ireland Limited	75	£ Sterling
I.M.M. (Trading) Pty. Limited	100	\$ Australian
I.M.M. Ventures Limited	100	\$ Canadian
Canadian Vendbar Industries Limited	100	\$ Canadian

During the year, I.M.M. Ventures Limited sold two of its subsidiaries, Federal Drilling Supplies Limited and Electrical Contacts Limited, effective June 30 and September 30, respectively. In addition, two other wholly-owned subsidiaries, Mogul Petroleum Corporation and Caliph Resources, Inc. were sold effective November 30. The results of operations of these companies have been included in the Consolidated Statement of Income up to the date of disposal.

3. Interest in Coldstream Mines Limited

The Company's interest in Coldstream Mines Limited and its subsidiaries consists of the following:

	1975	1974
490,649 Shares (quoted market value \$250,000; 1974, \$245,000)	\$ 250,000	\$ 394,000
Debentures, at cost including accrued interest thereon of \$49,000	4,492,000	
Advances and accrued interest		3,719,000
	<u>\$ 4,742,000</u>	<u>\$ 4,113,000</u>

The debentures are payable thirty days after demand and bear interest at two percentage points above the Company's bank rate. Interest on these debentures has been paid up to January 31, 1976 but no payment has been received on account of interest accruing since that date.

Coldstream sustained a loss before extraordinary items of \$1,822,000 for 1975 and \$3,652,000 for 1974 (a loss after extraordinary items of \$5,938,000 for 1975 and \$6,577,000 for 1974) resulting in a capital deficiency of \$1,155,000 at December 31, 1975. However, Coldstream estimates that it will generate a positive cash flow from operations for 1976 following the reorganization of its operations late in 1975.

In October, 1975 Coldstream sold its holding of shares of International Mogul Mines Limited to Conwest Exploration Company Limited for a consideration of \$4,000,000 cash on closing and a contingent payment of \$1,793,000. Coldstream applied the \$4,000,000 to reduce its bank indebtedness, which indebtedness ranks prior to debentures held by the Company. Pursuant to the agreement of purchase and sale between Coldstream and Conwest, Conwest will, subject to certain conditions, retire the balance of the debentures in the amount of \$1,793,000 if, as and when Coldstream retires \$2,650,000 of the debentures.

No provision has been made for loss on the debentures and the Company has agreed, subject to certain conditions, to defer payment of further interest until October 31, 1976.

4. Investments

	1975	1974
Shares with quoted market value (quoted market value \$4,030,000; 1974, \$3,271,000)	\$ 3,220,000	\$ 3,532,000
Shares without quoted market value and advances which includes indebtedness of \$132,000 from effectively controlled corporations which are shareholders of the Company	2,204,000	2,204,000
	<u>\$ 5,424,000</u>	<u>\$ 5,736,000</u>

5. Fixed Assets

	1975	1974
In Ireland, at cost		
Mineral leases and rights	\$ 1,806,000	\$ 1,806,000
Land, buildings, plant and equipment ...	12,548,000	12,171,000
In North America, at cost or less		
Land, buildings, plant and equipment ...	164,000	5,723,000
In Australia, at cost		
Land, buildings, plant and equipment ...	3,212,000	4,201,000
	<u>17,730,000</u>	<u>23,901,000</u>
Less accumulated depreciation and depletion	7,490,000	6,627,000
	<u>\$10,240,000</u>	<u>\$17,274,000</u>

6. Interests in Gas Production

The Company's interest in gas production consists of a royalty interest in certain producing properties in the United States. The life expectancy of these properties is presently unknown and this interest has been written down to a nominal value of \$1 at December 31.

The Company has disposed of all other assets related to gas production including the sale of its wholly-owned subsidiaries, Mogul Petroleum Corporation and Caliph Resources, Inc. (see note 2). In addition, it has

settled its legal action in connection with its interests in Hemphill County, Texas.

The net result of the above gave rise to a loss of \$552,000 which has been included in the Consolidated Statement of Income as an extraordinary item (note 11).

7. Bank Loans

The Company's bank loans are secured by the pledge of its shares of Mogul of Ireland Limited, certain investments and marketable securities and the assignment of its interest in certain gas production in the State of Texas. These loans were repaid in full by March 9, 1976.

8. Interests of Minority Shareholders

Interests of minority shareholders are attributable as follows:

	1975	1974
Mogul of Ireland Limited	\$ 2,265,000	\$ 2,808,000
Pine Vale Group	1,920,000	2,069,000
Other subsidiaries	131,000	158,000
	<u>\$ 4,316,000</u>	<u>\$ 5,035,000</u>

9. Capital Stock

Authorized

991,400 First preference shares, par value \$20 each
4,000,125 Common shares, without par value

	No. of Shares	Par value and consideration
Issued (no change during year)		
6% Cumulative redeemable convertible first preference shares, Series A	<u>291,400</u>	<u>\$ 5,828,000</u>
Common Shares	<u>2,608,097</u>	<u>11,070,000</u>
		<u>\$16,898,000</u>

During the year, the Company purchased 1,800 (1974, 139,400) of its issued common shares at a cost of \$4,000 (1974, \$818,000). The Company is now holding 141,200 common shares at a cost of \$822,000. These shares have not been cancelled.

The Series A shares are convertible into common shares of the Company as follows:

- (a) up to April 1, 1978 — 1 1/4 common shares for each Series A share
- (b) thereafter to April 1, 1983 — 1-1/9 common shares for each Series A share.

The Company is required, in each of the twelve month periods from April 1, 1974 to 1977 inclusive, to make all reasonable efforts to purchase for cancellation in the open market that number of shares which may be purchased out of the lesser of \$120,000 or 10% of the consolidated net earnings available for dividends for the immediately preceding fiscal year after deducting dividends paid in that year on the Series A shares, and in

each twelve month period thereafter that number which may be purchased out of the lesser of \$300,000 or 10% of the consolidated net earnings after Series A dividends. For the period ending April 1, 1976, the Company was not required to purchase any Series A shares.

10. Employee Stock Options

The following employee stock options were outstanding at December 31, 1975:

Year of Grant	Option Price Per Common Share	No. of Common Shares	Expiry Date
1973	\$12.50	35,500	Various dates from March 31/76 to September 9/76
1973	12.50	12,100	February 12, 1978
1974	7.65	1,000	April 30, 1976
1975	3.15	20,750	September 9, 1976
		<u>69,350</u>	

During the year, options on 31,600 common shares expired as a result of termination of employment and on 8,240 common shares on the cancellation of an option agreement.

All options granted under the employee incentive option plan were at a price of not less than 90% of the market value of the common shares at the date of grant. The options are exercisable on a cumulative basis as to 20% of the shares in any one year.

11. Extraordinary Items

	1975	1974
Loss on gas and related interests (net in 1975)	\$ 552,000	\$7,432,000
Loss on guarantee of bank loan of Mindamar Energy Resources Limited		590,000
As shown on Consolidated Statement of Income	<u>\$ 552,000</u>	<u>\$8,022,000</u>

12. Anti-Inflation Act

The Company is subject as a public company to the Anti-Inflation Act with respect to dividends on common shares.

13. Subsequent Events

The Company sold its holding of shares of Mogul of Ireland Limited on February 4, 1976 for \$9,000,000. In addition, the Company is actively negotiating the sale of its interests in Australia. It is expected that the proceeds of this sale will be approximately A\$2,000,000. The effect of these transactions is expected to result in a net gain of approximately \$700,000, subject to exchange fluctuations.

14. Other Information

Direct remuneration of the Company's directors and senior officers from the Company and its subsidiaries was \$545,000 (\$465,000 in 1974).



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